The Fiscal Monitor

A Publication of the Department of Finance

Highlights

November 2009: budgetary deficit of $4.4 billion

There was a budgetary deficit of $4.4 billion in November 2009, compared to a surplus of $0.1 billion in November 2008. The November 2009 deficit reflects the impact of the weaker economy on the Government's finances, as well as measures introduced under Canada's Economic Action Plan. Revenues were down $2.2 billion from November 2008, reflecting declines in income tax revenues and other revenues. Program expenses increased by $2.5 billion compared to November 2008, largely reflecting higher Employment Insurance (EI) benefit payments, increased gas tax transfers to other levels of government, and higher operating expenses of departments and agencies. Public debt charges decreased by $0.2 billion compared to November 2008 due to lower average effective interest rates.

April to November 2009: budgetary deficit of $36.3 billion

For the first eight months of the 2009–10 fiscal year, the budgetary deficit was $36.3 billion, compared to a surplus of $39 million reported in the same period of 2008–09. Close to $13 billion of the $36.3-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, enhanced EI benefits and support for the automotive industry. Revenues were down $18.3 billion, or 11.9 per cent, reflecting declines across most revenue streams. Program expenses were up $19.8 billion, or 15.0 per cent, mainly reflecting higher EI benefit payments, higher transfers to other levels of government and support for the automotive industry. Public debt charges were down $1.7 billion on a year-over-year basis, reflecting lower interest rates.

November 2009

There was a budgetary deficit of $4.4 billion in November 2009, compared to a $0.1-billion surplus in November 2008.

Revenues decreased by $2.2 billion, or 11.6 per cent, to $16.7 billion in November 2009.

- Personal income tax revenues decreased by $1.0 billion, or 10.9 per cent, reflecting lower employment and the impact of personal income tax reductions announced in Canada's Economic Action Plan.

  In particular, November 2009 revenues were lowered by $0.5 billion due to the cost through November 2009 of the enhancement of the Working Income Tax Benefit, following the adoption of legislation. Absent this adjustment, personal income tax revenues would have declined by 5.7 per cent in November.

- Corporate income tax revenues were down $0.8 billion, or 36.1 per cent, reflecting higher corporate refunds and lower receipts.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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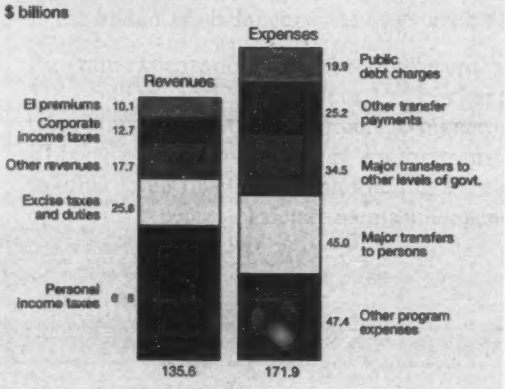
- Non-resident income tax revenues were down $0.3 billion, or 47.1 per cent.
- Excise taxes and duties were up $0.3 billion, or 9.1 per cent, driven by higher Goods and Services Tax (GST) revenues. GST revenues were up $0.4 billion, or 16.6 per cent. As a value-added tax, GST revenues represent the difference between total GST owed to the Government and credits claimed for GST paid on inputs. (For example, in 2008–09 GST revenues of $25.7 billion were derived from total GST assessed of about $167.0 billion, less $141.3 billion of input tax credits, rebates and credits to persons.) As a result, timing differences between the much larger value of GST owed to the Government and credits claimed for GST paid on inputs can yield volatile net collections on a monthly basis. Energy taxes were up $16 million, customs import duties were down $0.1 billion, and other excise taxes and duties decreased by $37 million.
- EI premium revenues were up $18 million. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009 and 2010.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, proceeds from the sale of goods and services, returns on investments, foreign exchange net revenues and miscellaneous revenues, were down $0.4 billion, or 18.3 per cent, due in part to a decline in receipts under the Atlantic Offshore Revenue Accounts. This revenue is transferred to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords, such that there is no net impact on the budgetary balance.

Program expenses in November 2009 were $18.7 billion, up $2.5 billion, or 15.2 per cent, from November 2008, due largely to higher EI benefit payments, increased gas tax transfers to other levels of government, and higher operating expenses of departments and agencies.

In November 2009, transfer payments were up $1.6 billion, or 14.2 per cent, from November 2008.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.7 billion, or 14.9 per cent. Elderly benefits increased by $0.1 billion, or 2.2 per cent. EI benefit payments were up $0.6 billion, or 57.2 per cent, reflecting significantly higher regular benefits due to rising unemployment, as well as benefit enhancement measures announced as part of Canada's Economic Action Plan. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by $42 million.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were up $0.8 billion, reflecting legislated growth in the Canada Health Transfer and increased gas tax transfers to provinces on behalf of Canada's cities and communities.
- Other transfer payments were virtually unchanged, as increased infrastructure funding was offset by a decline in transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Revenues and expenses
(April to November 2009)
$ billions



Other program expenses consist of the operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses increased by $0.9 billion, or 17.3 per cent, reflecting increases across a number of departments and the impact of the Economic Action Plan.

Public debt charges decreased by $0.2 billion compared to November 2008 due to lower average effective interest rates on the stock of interest-bearing debt.

April to November 2009

Through the first eight months of the 2009–10 fiscal year, there was a budgetary deficit of $36.3 billion, compared to a surplus of $39 million reported during the same period of 2008–09. Close to $13 billion of the $36.3-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, enhanced EI benefits and support for the automotive industry.

Revenues declined by $18.3 billion, or 11.9 per cent, to $135.6 billion.

- Personal income tax revenues were down $5.9 billion, or 7.8 per cent, reflecting lower employment and the impact of tax relief measures. These tax reductions included increases in the basic personal amount and personal income tax bracket thresholds, the enhancement of the Working Income Tax Benefit, as well as the Home Renovation Tax Credit. Personal income tax revenues are expected to remain weak through the remainder of 2009 and then begin to rise year-over-year in the first quarter of 2010, reflecting projected wage growth and the expiration of the Home Renovation Tax Credit at the end of January 2010.
- Corporate income tax revenues were down $7.4 billion, or 36.8 per cent, reflecting an increase of roughly 46 per cent in refunds of taxes paid and a decline of about 13 per cent in receipts.
- Non-resident income tax revenues were down $0.8 billion, or 21.8 per cent.
- Excise taxes and duties were down $2.6 billion, or 9.3 per cent, primarily due to a $2.2-billion, or 12.0-per-cent, decline in GST revenues. GST revenues are projected to strengthen over the course of the fiscal year, reflecting the unwinding of timing impacts that dampened GST revenues early in the fiscal year and the projected recovery over the remainder of the fiscal year in spending on items that are subject to the GST. Energy taxes were up $49 million, customs import duties were down $0.4 billion, and other excise taxes and duties decreased by $48 million.
- EI premium revenues were up 0.5 per cent. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009 and 2010.
- Other revenues were down $1.5 billion, or 9.4 per cent.

Program expenses for April to November 2009 were $152.1 billion, up $19.8 billion, or 15.0 per cent, from the same period the previous year, primarily reflecting increased EI benefit payments, increased transfers to other levels of government and support for the automotive industry.

Transfer payments for April to November 2009 were up $17.4 billion, or 20.0 per cent, from the same period the previous year.

- Major transfers to persons were up $5.8 billion, or 14.9 per cent. Elderly benefits increased by $1.0 billion, or 4.7 per cent, in line with growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $4.6 billion, or 49.7 per cent, reflecting higher unemployment and benefit enhancements introduced as part of Canada's Economic Action Plan. Children's benefits were up $0.2 billion.
- Major transfers to other levels of government were up $3.0 billion, or 9.6 per cent, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization, as well as the doubling of the gas tax transfer to provinces and municipalities, as of April 1, 2009.

- Other transfer payments were up $8.6 billion, largely reflecting support for the automotive industry and increased infrastructure funding, as well as increased assistance for workers, students and persons with disabilities. These increases were partially offset by a decrease in transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses increased by $2.4 billion, or 5.4 per cent, from the previous year's level.

Public debt charges decreased by $1.7 billion, or 8.1 per cent, as the increase in the stock of interest-bearing debt was more than offset by lower average effective interest rates on that stock.

Financial requirement of $58.5 billion for April to November 2009

The budgetary balance is presented on an accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $36.3 billion and a requirement of $22.2 billion from non-budgetary transactions, there was a financial requirement of $58.5 billion in the April to November period of 2009–10, compared to a financial requirement of $46.4 billion in the same period of 2008–09. This year-over-year difference is due mainly to the deterioration in the budgetary balance, partially offset by a decrease in financing requirements under the Insured Mortgage Purchase Program.

Net financing activities up $38.5 billion

The Government financed this financial requirement of $58.5 billion by increasing market debt by $38.5 billion and reducing cash balances by $20.0 billion. The increase in market debt was achieved primarily through the issuance of marketable bonds. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of November 2009 stood at $25.1 billion, $9.2 billion below their level at the end of November 2008.

Table 1

Summary statement of transactions

	November		April to November	
	2008	2009	2008–09	2009–10
		($ millions)		
Budgetary transactions				
Revenues	18,873	16,677	153,897	135,633
Expenses				
Program expenses	-16,211	-18,669	-132,253	-152,073
Public debt charges	-2,566	-2,365	-21,605	-19,863
Budgetary balance (deficit/surplus)	96	-4,357	39	-36,303
Non-budgetary transactions	-12,689	4,144	-46,468	-22,185
Financial source/requirement	-12,593	-213	-46,429	-58,488
Net change in financing activities	25,795	3,868	69,427	38,510
Net change in cash balances	13,202	3,655	22,998	-19,978
Cash balance at end of period			34,244	25,053

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Revenues

	November			April to November		
	2008	2009	Change	2008–09	2009–10	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	9,388	8,368	-10.9	75,503	69,588	-7.8
Corporate income tax	2,311	1,476	-36.1	20,133	12,722	-36.8
Non-resident income tax	722	382	-47.1	3,886	3,039	-21.8
Total income tax	12,421	10,226	-17.7	99,522	85,349	-14.2
Excise taxes and duties						
Goods and services tax	2,536	2,957	16.6	18,637	16,399	-12.0
Energy taxes	437	453	3.7	3,425	3,474	1.4
Customs import duties	292	230	-21.2	2,732	2,350	-14.0
Other excise taxes and duties	465	428	-8.0	3,405	3,357	-1.4
Total excise taxes and duties	3,730	4,068	9.1	28,199	25,580	-9.3
Total tax revenues	16,151	14,294	-11.5	127,721	110,929	-13.1
Employment Insurance premiums	769	787	2.3	10,036	10,086	0.5
Other revenues	1,953	1,596	-18.3	16,140	14,618	-9.4
Total revenues	18,873	16,677	-11.6	153,897	135,633	-11.9

Note: Totals may not add due to rounding.

Table 3
Expenses

	November			April to November		
	2008	2009	Change	2008–09	2009–10	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Major transfers to persons						
Elderly benefits	2,839	2,902	2.2	21,942	22,977	4.7
Employment Insurance benefits	1,110	1,745	57.2	9,210	13,787	49.7
Children's benefits	1,001	1,043	4.2	8,012	8,241	2.9
Total	4,950	5,690	14.9	39,164	45,005	14.9
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	1,887	2,064	9.4	15,087	16,508	9.4
Canada Social Transfer	881	887	0.7	7,039	7,222	2.6
Total	2,768	2,951	6.6	22,126	23,730	7.2
Fiscal transfers	1,292	1,321	2.2	10,445	10,952	4.9
Canada's cities and communities	116	705	507.8	830	1,662	100.2
Alternative Payments for Standing Programs	-277	-263	-5.1	-1,952	-1,877	-3.8
Total	3,899	4,714	20.9	31,449	34,467	9.6
Other transfer payments						
Agriculture and Agri-Food	240	265	10.4	1,073	1,124	4.8
Foreign Affairs and International Trade	246	146	-40.7	1,833	1,712	-6.6
Health	247	247	0.0	1,523	1,708	12.1
Human Resources and Skills Development	231	216	-6.5	1,455	1,932	32.8
Indian Affairs and Northern Development	310	406	31.0	3,248	3,453	6.3
Industry	140	132	-5.7	1,345	1,502	11.7
Other	713	714	0.1	6,193	13,794	122.7
Total	2,127	2,126	0.0	16,670	25,225	51.3
Total transfer payments	10,976	12,530	14.2	87,283	104,697	20.0
Other program expenses						
Crown corporations	592	636	7.4	5,118	5,545	8.3
Defence	1,510	1,683	11.5	12,069	12,742	5.6
All other departments and agencies	3,133	3,820	21.9	27,783	29,089	4.7
Total other program expenses	5,235	6,139	17.3	44,970	47,376	5.4
Total program expenses	16,211	18,669	15.2	132,253	152,073	15.0
Public debt charges	2,566	2,365	-7.8	21,605	19,863	-8.1
Total expenses	18,777	21,034	12.0	153,858	171,936	11.7

Note: Totals may not add due to rounding.

Table 4

The budgetary balance and financial source/requirement

	November		April to November	
	2008	2009	2008–09	2009–10
			($ millions)	
Budgetary balance (deficit/surplus)	96	-4,357	39	-36,303
Non-budgetary transactions				
Capital investment activities	-233	-421	-2,062	-2,186
Other investing activities	-13,988	-1,048	-40,655	-19,524
Pension and other accounts	325	703	3,405	4,805
Other activities				
Accounts payable, receivables, accruals and allowances	1,343	3,069	-3,122	-12,010
Foreign exchange activities	-445	1,545	-6,268	4,488
Amortization of tangible capital assets	309	296	2,234	2,242
Total other activities	1,207	4,910	-7,156	-5,280
Total non-budgetary transactions	-12,689	4,144	-46,468	-22,185
Financial source/requirement	-12,593	-213	-46,429	-58,488

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	November		April to November	
	2008	2009	2008–09	2009–10
			($ millions)	
Financial source/requirement	-12,593	-213	-46,429	-58,488
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	8,344	9,488	13,790	50,310
Treasury bills	18,000	-3,700	53,700	-2,600
Canada Savings Bonds	-817	-304	-964	-412
Other	-2	-2	-518	-69
Total	25,525	5,482	66,008	47,229
Foreign currency borrowings	-879	-1,028	-359	-3,740
Total	24,646	4,454	65,649	43,489
Cross-currency swap revaluation	952	-583	3,399	-4,517
Unamortized discounts on debt issues	211	8	485	-381
Obligations related to capital leases	-14	-11	-106	-81
Net change in financing activities	25,795	3,868	69,427	38,510
Change in cash balance	13,202	3,655	22,998	-19,978

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities

	March 31, 2009	November 30, 2009	Change
		($ millions)	
Liabilities			
Accounts payable and accrued liabilities	113,999	98,865	-15,134
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	295,186	345,496	50,310
Treasury bills	192,275	189,675	-2,600
Retail debt	12,532	12,120	-412
Other	523	454	-69
Subtotal	500,516	547,745	47,229
Payable in foreign currencies	10,381	6,641	-3,740
Cross-currency swap revaluation account	3,690	-827	-4,517
Unamortized discounts and premiums on market debt	-4,751	-5,132	-381
Obligations related to capital leases	4,184	4,103	-81
Total unmatured debt	514,020	552,530	38,510
Pension and other liabilities			
Public sector pensions	139,909	142,267	2,358
Other employee and veteran future benefits	50,311	52,643	2,332
Other liabilities	5,923	6,038	115
Total pension and other liabilities	196,143	200,948	4,805
Total interest-bearing debt	710,163	753,478	43,315
Total liabilities	824,162	852,343	28,181
Financial assets			
Cash and accounts receivable	122,147	99,045	-23,102
Foreign exchange accounts	51,709	47,221	-4,488
Loans, investments, and advances (net of allowances)	125,093	144,617	19,524
Total financial assets	298,949	290,883	-8,066
Net debt	525,213	561,460	36,247
Non-financial assets	61,503	61,447	-56
Federal debt (accumulated deficit)	463,710	500,013	36,303

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Doug Nevison at 613-995-6391.
Ce document est également offert en français.
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